

**TRANSMITTAL AND NOTICE OF APPROVAL OF
STATE PLAN MATERIAL**

1. TRANSMITTAL NUMBER:
02-12 (Revised)

2. STATE
Kentucky

FOR: HEALTH CARE FINANCING ADMINISTRATION

3. PROGRAM IDENTIFICATION: TITLE XIX OF THE
SOCIAL SECURITY ACT (MEDICAID)

TO: REGIONAL ADMINISTRATOR
HEALTH CARE FINANCING ADMINISTRATION
DEPARTMENT OF HEALTH AND HUMAN SERVICES

4. PROPOSED EFFECTIVE DATE
10/01/02

5. TYPE OF PLAN MATERIAL (*Check One*):

☐ NEW STATE PLAN

☐ AMENDMENT TO BE CONSIDERED AS NEW PLAN

☒ AMENDMENT

COMPLETE BLOCKS 6 THRU 10 IF THIS IS AN AMENDMENT (*Separate Transmittal for each amendment*)

6. FEDERAL STATUTE/REGULATION CITATION:
42 CFR 447.325

7. FEDERAL BUDGET IMPACT:

a. FFY 03 \$ 7.14 million
b. FFY 04 \$ 5.54 million

8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT:
Attachment 4.19-B, page 20.15
Attachment 4.19-B, page 20.15.1
Attachment 3.1-A, pages 7.6.1(a) and 7.6.1(b)
Attachment 3.1-B, pages 31.5(a) and 31.5(b)

9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION
OR ATTACHMENT (*If Applicable*):
Attachment 4.19-B, page 20.15

10. SUBJECT OF AMENDMENT:
Reimbursement for community mental health centers

11. GOVERNOR'S REVIEW (*Check One*):

- ☐ GOVERNOR'S OFFICE REPORTED NO COMMENT
☐ COMMENTS OF GOVERNOR'S OFFICE ENCLOSED
☐ NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL

☒ OTHER, AS SPECIFIED: Review delegated
to Commissioner, Department for Medicaid
Services

12. SIGNATURE OF STATE AGENCY OFFICIAL:

13. TYPED NAME: Mike Robinson

14. TITLE: Commissioner, Department for Medicaid Services

15. DATE SUBMITTED:

16. RETURN TO:

Frances McGraw
Eligibility Policy Branch
Department for Medicaid Services
275 East Main Street 6W-C
Frankfort, Kentucky 40621

FOR REGIONAL OFFICE USE ONLY

17. DATE RECEIVED:
November 29, 2002

18. DATE APPROVED:
July 31, 2003

PLAN APPROVED - ONE COPY ATTACHED

19. EFFECTIVE DATE OF APPROVED MATERIAL:
October 1, 2002

20. SIGNATURE OF REGIONAL OFFICIAL:

21. TYPED NAME:
Rhonda R. Cottrell

22. TITLE: Associate Regional Administrator
Division of Medicaid & Children's Health

23. REMARKS:

Faxed copy with State Agency Official's Signature is attached.

13. d. Community mental health centers provide a comprehensive range of coordinated mental health rehabilitation services. Reimbursement is available for rehabilitation services provided by community mental health centers subject to the following:

- A. Covered mental health rehabilitation services include:
 - 1. Outpatient mental health services. Outpatient mental health services are mental health services that are provided to individuals, families, or groups of persons who are living in the community and require services on an intermittent basis for mental health conditions. The mental health rehabilitation services include diagnostic assessments, individual therapy, group therapy, family therapy, collateral therapy (for individuals under 21), therapeutic rehabilitation services, physical examinations, medication management therapy, and emergency/crisis intervention. Services are provided in accordance with a plan of treatment and may be provided in the recipient's home, work place, mental health facility, personal care home, emergency room or wherever urgently needed.
 - 2. Inpatient mental health services. Inpatient mental health services are professional psychiatric services provided to a person in a local acute care hospital contracting with a community mental health center to provide such professional psychiatric services.
- B. Medicaid will reimburse for community mental health rehabilitation services when provided to persons diagnosed with a mental health disorder when provided by qualified mental health professionals. The following limitations and conditions will apply:
 - 1. Group therapy is limited to groups of twelve or fewer.
 - 2. Individual therapy is limited to a maximum of three (3) hours a day.
 - 3. Substance abuse services are only provided to pregnant and postpartum women.
 - 4. Unless a diagnosis is made and documented in the medical record within three (3) visits, the service will not be covered.
 - 5. An appropriate mental health diagnosis is required for coverage.
- C. Professionals qualified to provide mental health rehabilitation services include:
 - 1. A board certified or board eligible psychiatrist.
 - 2. A licensed psychologist.
 - 3. A psychiatric nurse licensed in the state of Kentucky with one of the following combination of education and experience:
 - a. Master of Science in Nursing with a specialty in psychiatric or mental health nursing. No experience required.
 - b. Bachelor of Science in Nursing and 1 year of experience in a mental health setting.

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- c. A graduate of a three-year educational program with 2 years of experience in a mental health setting.
 - d. A graduate of a two-year educational program (Associate Degree) with 3 years of experience in a mental health setting.
 4. A psychiatric social worker with a masters degree from an accredited school.
 5. A professional equivalent, through education in a mental health field and experience in a mental health setting, qualified to provide mental health services. Education and experience are as follows:
 - a. Bachelor's degree and 3 years of full-time supervised experience.
 - b. Master's degree and 6 months of full-time supervised experience.
 - c. Doctoral degree. No experience.
 6. The following professionals may provide services with appropriate supervision:
 - a. A mental health associate with a minimum of a Bachelors degree in psychology, sociology, social work, or human services under supervision of one of the above professionals;
 - b. A certified psychologist or certified psychological practitioner under supervision of a licensed psychologist; and
 - c. A physician under the supervision of a psychiatrist.

13. d. Community mental health centers provide a comprehensive range of coordinated mental health rehabilitation services. Reimbursement is available for rehabilitation services provided by community mental health centers subject to the following:

A. Covered mental health rehabilitation services include:

1. Outpatient mental health services. Outpatient mental health services are mental health services that are provided to individuals, families, or groups of persons who are living in the community and require services on an intermittent basis for mental health conditions. The mental health rehabilitation services include diagnostic assessments, individual therapy, group therapy, family therapy, collateral therapy (for individuals under 21), therapeutic rehabilitation services, physical examinations, medication management therapy, and emergency/crisis intervention. Services are provided in accordance with a plan of treatment and may be provided in the recipient's home, work place, mental health facility, personal care home, emergency room or wherever urgently needed.
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1. A board certified or board eligible psychiatrist.
2. A licensed psychologist.
3. A psychiatric nurse licensed in the state of Kentucky with one of the following combination of education and experience:
 - a. Master of science in Nursing with a specialty in psychiatric or mental health nursing. No experience required.
 - b. Bachelor of Science in Nursing and 1 year of experience in a mental health setting.
 - c. A graduate of a three-year educational program with 2 years of experience in a mental health setting.

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- d. A graduate of a two-year educational program (Associate Degree) with 3 years of experience in a mental health setting.
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 - 6. The following professionals may provide services with appropriate supervision:
 - a. A mental health associate with a minimum of a Bachelors degree in psychology, sociology, social work, or human services under supervision of one of the above professionals;
 - b. A certified psychologist or certified psychological practitioner under supervision of a licensed psychologist; and
 - c. A physician under the supervision of a psychiatrist.

XVI. Other diagnostic, screening, preventive and rehabilitative services.

Other diagnostic, screening, preventive and rehabilitative services provided by licensed community mental health centers and primary care centers shall be reimbursed in accordance with the limitations in 42 CFR 447.325.

A. Community mental health centers.

1. Prior to July 1, 2002, participating in-state mental health centers shall be reimbursed as follows:
 - a. The department shall establish final prospective rates for each direct service cost center using audited annual cost reports for the prior year. If an audited costs report is not available, the most recent unaudited cost report shall be used with the rate adjusted as necessary at the time of audit or desk review.
 - b. Costs used in setting the rates shall be trended to the beginning of the rate year and indexed for inflation using the Home Health Agency Market Basket National Forecast.
 - c. Direct service costs shall be arrayed and an upper limit set at 130 percent of the median cost per unit.
 - d. The base rate per unit shall be the allowable cost or the upper limit, whichever is less.
 - e. In addition to the base rate per unit, each center shall receive a cost savings incentive payment equal to fifteen (15) percent of the difference between the facility's allowable cost and the upper limit.
 - f. A funding adjustment equal to \$1.3 million shall be distributed based on the number of outpatient units of service provided. This adjustment is to improve services and to encourage the provision of additional services.
 - g. The reimbursable departmental cost centers are inpatient psychiatry, inpatient other, intensive in home, personal care, outpatient psychiatry, outpatient individual, outpatient group, and therapeutic rehabilitation.
2. Participating out-of-state mental health center providers shall be reimbursed the lower of charges, or the facility's rate as set by the state Medicaid Program in the other state, or the upper limit for that type of service in effect for Kentucky providers.
3. For state fiscal year July 1, 2002 - June 30, 2003, the payment rates for other diagnostic, screening, preventive and rehabilitative services provided by licensed community mental health centers will be the rates that were in effect on June 30, 2002. This payment shall not include any additional add-ons as described in 1.e and 1f. above.

For the period 10/01/02 through 6/30/04, adjusted payments will be made to Community Mental Health Centers to recognize and support their continued commitment to the provision of mental health services. These payments will be made on a quarterly basis and will reflect the difference in the costs used to determine current rates and Medicaid Costs determined as follows:

1. Using audited cost reports ending June 30, 2000, costs for the covered mental health rehabilitation services described in Attachment 3.1- A, page 7.6.1(a) and Attachment 3.1-B, page 31.5(a) will be allocated to the following cost centers: therapeutic rehabilitation, outpatient individual, outpatient group, outpatient psychiatry, outpatient/personal care home, outpatient/in-home setting, and hospital psychiatric (professional services provided in an inpatient setting).
2. The Medicaid percentage for each cost center will be determined by dividing Medicaid units of service by total units of service by cost center.
3. Medicaid costs per cost center will be determined by multiplying costs by the Medicaid percentage per cost center.
4. Medicaid costs per cost center will be inflated to the mid-point of the rate year using the Home Health Market Basket Index.
5. The increased Medicaid capital will be determined by multiplying any capital increase from the base year to the rate year by the aggregate Medicaid percentage. The aggregate Medicaid percentage is determined by dividing total Medicaid costs by total costs.
6. The difference between the base year Medicaid costs and the inflated Medicaid costs will be added to the increased Medicaid capital.
7. Costs shall be determined in accordance with cost principles outlined in the Provider Manual. Only Medicaid recognized costs will be included in the calculation.
8. These adjusted payments will expire on July 1, 2004.